

Message Text

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12

ACTION EB-11

INFO OCT-01 ARA-16 EUR-25 ISO-00 SP-03 AID-20 NSC-07

RSC-01 CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02

CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12

LAB-06 SIL-01 PA-04 PRS-01 USIA-15 DRC-01 /176 W

----- 100776

P R 311124Z MAY 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC PRIORITY 0836

INFO AMEMBASSY SANTIAGO

C O N F I D E N T I A L LONDON 06769

DEPARTMENT ALSO PASS TREASURY

E.O. 11652: XGDS-1, DECLAS 5-31-04

TAGS: EFIN, CI, UK

SUBJECT: CHILE DEBT RESCHEDULING

REF: A) LONDON 5985; B) STATE 112547

1. SITUATION AS RELATES TO MORATORIUM INTEREST RATE FOR U.K.-CHILEAN 1973/74 BILATERAL DEBT RESCHEDULING IS AS FOLLOWS: 1) CHILEANS AND BRITISH INITIALLY AGREED TO A FLAT RATE OF INTEREST OF 7-1/2 PERCENT FOR ALL DEBTS COVERED IN THE RESCHEDULING (REF A); 2) CHILEANS THEN HAD SECOND THOUGHTS ABOUT 7-1/2 PERCENT FLAT RATE FOR ALL DEBTS AND REQUESTED THAT, WHERE CONTRACTS INCLUDED POST-MATURITY INTEREST CLAUSES, THESE BE HONORED. ECDG (EXPORT CREDITS AND GUARANTEE DEPT.) IS STILL WORKING ON FIGURES BUT BELIEVES THE RESULTS MAY BE AN AVERAGE INTEREST RATE SOMEWHERE IN THE NEIGHBORHOOD OF 6.8 PERCENT FOR ALL THE OUTSTANDING DEBT.

2. CHILE IS A PARTICULARLY SENSITIVE SUBJECT IN THE U.K. AT PRESENT AND THE GOVERNMENT IS UNDER PRESSURE TO TAKE A
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HARD LINE. WHILE H.M. TREASURY IS WILLING TO ACCOMMODATE

THE CHILEANS BY REVERTING TO WHAT IT CONSIDERS A RATHER
COMMON PRACTICE OF SEPARATING CONTRACTS WITH AND WITHOUT
POST-MATURITY INTEREST CLAUSES, THEY WILL NOT GO ANY LOW-
ER THAN THE 7-1/2 PERCENT AGREED AS THE BASIC MORATORIUM
INTEREST RATE, WHICH WOULD APPLY TO ALL CONTRACTS NOT
CONTAINING POST-MATURITY CLAUSES.

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Message Attributes

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30 JUN 2005

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